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C O N F I D E N T I A L SECTION 01 OF 02 TASHKENT 000633

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SUBJECT: OIL, AUTOS AND HUMAN RIGHTS: KARIMOV VISITS KOREA

REF: TASHKENT 611

Classified By: CLASSIFIED BY AMB. JON R. PURNELL FOR REASONS 1.4 (B, D)

¶1. (C) Summary: President Karimov,s trip to South Korea was successful, according to the South Korean DCM Jeung-Hyun Ryu, but it is too early to know how much fruit the agreements will bear. In addition to speaking to Karimov about human rights, the Korean President discussed oil, gas and uranium extraction with him. He also met with Hyundai to explore collaborative opportunities. While the Uzbek press reported that numerous deals were signed and billions of dollars of investment will soon come pouring in, Ryu said the GOK wants to engage Uzbekistan &slowly8 in case the social economic and situations do not improve. End summary.

¶2. (C) President Karimov returned on March 30 from a two-day official visit to South Korea. In a discussion with poloff regarding the visit, South Korean DCM Jeung-Hyun Ryu said Korea,s diplomatic approach to Uzbekistan is &slow engagement.8 He opined that only by leading the Uzbeks by the hand and offering them carrots will human rights and economic problems improve. While the Uzbek press glorified reports of Korean investment and the numerous agreements signed during the visit, Ryu was more pragmatic. He said the GOK plans to start oil and gas exploration and development projects here, but private businesses are still leery of the business environment. The plan, he said, is to first focus on oil and gas projects while working to &set up a favorable economic situation.8 Once there is rule of law and transparency, then further private investment is likely to enter the market, especially in the information technology and construction sectors.

¶3. (C) Multiple deals were signed to explore and extract mineral resources from the eastern regions. Korean state-run oil and gas companies are set to begin explorations for oil in Chust-Pap and Namangen-Terachi, and for gas in Uzunkui. Additionally, Korean Gas will develop a gas field in Surgil. Korea does not plan to export the extracted oil and gas directly to Korea, but perhaps instead export to Europe or &trade8, according to Ryu, with Russia for oil and gas already in Eastern Russian pipelines. Ryu said that due to current high uranium prices, Korea will start extracting it from the second-grade site at Djantuar.

¶4. (C) According to Ryu, Karimov also discussed a possible collaboration with UzDaewoo with Hyundai officials. A contact told post Karimov was offering up to half of UzDaewoo shares to Hyundai (reftel). Ryu could not confirm, however, whether a deal had been signed with Hyundai. He said

instead that Hyundai is considering making Andijon the focal point for its auto industry throughout Central Asia, but GM-Daewoo has a contract with UzDaewoo to supply it parts through 2009. Ryu said business matters would be taken slowly, and implied that Hyundai could not start real collaboration with UzDaewoo until 2009.

¶5. (C) Ryu brought up human rights on his own, saying the presidents discussed the topic during the visit. According to Ryu, the Korean President told Karimov that states must ensure the human rights of its citizens and that Karimov &agreed.8 Poloff asked if the GOK intends to make human rights a political priority in Uzbekistan. Ryu said his government believes in using &carrots8 to improve the situation.

¶6. Comment: The South Korean Government is wary of the GOU,s current economic policies and is reluctant to invest, or encourage private Korean companies to invest, until the GOU cleans up its act. By focusing on &carrots8 that are low-cost but potentially profitable, the GOK can engage the GOU without too much risk. For example, Ryu said the over 200,000 ethnic Koreans here are experiencing the same economic hardships of average Uzbeks. Thus, the GOK plans to tap this labor supply and offer two-year visas to work in the construction and service sectors in Korea. Korean businesses here are prolific and varied. In recent years, however, several large Korean companies have had to pull out for economic reasons, including Daewoo. It is likely the GOK does not want to see this happen again, especially in the current unpredictable environment. Ryu,s comments, however, make it very clear that the Koreans will not press Karimov too hard on topics that the Uzbek president finds distasteful.

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